

Message Text

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PAGE 01 SAN JO 03306 300047Z

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 OMB-01 SWF-02

FEA-02 DRC-01 /174 W

----- 102914

R 292248Z AUG 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7936

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMCONSUL GUAYAQUIL

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: COSTA RICAN GOVERNMENT MAKES NEW PROPOSAL TO
BANANA COMPANIES

SUMMARY. THE COSTA RICAN GOVERNMENT HAS NOW REQUESTED
AND RECEIVED FROM STANDARD FRUIT A STATEMENT IN WRITING
THAT IT DOES NOT WISH TO SELL ITS BANANA PROPERTIES IN
COSTA RICA. THE MINISTER OF ECONOMY HAS ALSO OUTLINED TO
STANDARD AND UNITED REPRESENTATIVES NEW PROPOSALS FOR A
SETTLEMENT OF THE BANANA QUESTION, WHICH INVOLVE A TAX
RISE FROM 25 CENTS PER BOX TO 50 CENTS PER BOX WITHIN 2 TO 3
YEARS, AND AN INCREASE TO \$2.08 IN THE PRICE STANDARD PAYS
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PAGE 02 SAN JO 03306 300047Z

TO INDEPENDENT PRODUCERS FOR BANANAS. END SUMMARY.

1. EMBOFF CALLED ON DE LA ESPRIELLA OF STANDARD FRUIT AUGUST 28 TO CLARIFY CURRENT STATE-OF-PLAY IN BANANA NEGOTIATIONS. DE LA ESPRIELLA SAID THAT STANDARD MANAGER IGLEHEART WAS ARRIVING IN TOWN THAT MORNING FOR A MEETING WITH MINISTER OF ECONOMY SANCHEZ. ONE PURPOSE OF THE MEETING WAS TO PROVIDE A STATEMENT IN WRITING TO THE COSTA RICAN GOVERNMENT, REQUESTED BY THE MINISTER THE PREVIOUS DAY, THAT STANDARD IS WITHDRAWING ITS OFFER TO SELL ITS BANANA PROPERTIES IN COSTA RICA. DE LA ESPRIELLA DID NOT KNOW WHAT ELSE THE MINISTER MIGHT TAKE UP WITH IGLEHEART AT THE MEETING BUT HE HAD HEARD FROM LOWER LEVEL SOURCES WITHIN THE GOVERNMENT THAT COSTA RICA IS NOW INCLINED TOWARD A SETTLEMENT BASED ON THE FOLLOWING ELEMENTS:

1. A BANANA TAX THAT WOULD BE 25 CENTS THIS YEAR, 40 CENTS NEXT YEAR, AND 50 CENTS PER BOX THE FOLLOWING YEAR;

2. AN INCREASE IN THE PRICE STANDARD PAYS TO INDEPENDENT BANANA PRODUCERS;

3. SOME EFFORT BY STANDARD TO PRODUCE OTHER CROPS, PERHAPS PINEAPPLES, ON ITS LANDS NOT BEING USED FOR BANANA PRODUCTION.

2. CHARGE AND EMBOFF MET LATER SAME DAY WITH ECONOMICS MINISTER JORGE SANCHEZ AND HIS DEPUTY CARVAJAL. APPARENTLY THE SANCHEZ-IGLEHEART MEETING HAD GONE VERY MUCH AS DE LA ESPRIELLA EXPECTED. SANCHEZ SAID THAT HE HAD MADE THE FOLLOWING POINTS TO STANDARD:

1. THE COSTA RICAN GOVERNMENT WOULD WANT TO SET THE BANANA TAX AT ABOUT 50 CENTS PER BOX, AND WOULD BE WILLING TO MOVE TOWARD THAT AMOUNT IN STAGES, BUT WITHIN TWO YEARS RATHER THAN WITHIN FIVE YEARS AS IN HONDURAS;

2. STANDARD SHOULD INCREASE ITS PAYMENTS TO INDEPENDENT BANANA PRODUCERS TO ABOUT \$2.08 PER BOX (FROM ABOUT \$1.68 AT PRESENT);
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PAGE 03 SAN JO 03306 300047Z

3. STANDARD SHOULD EITHER GIVE UP ITS SURPLUS LAND TO THE GOVERNMENT OR SHOULD DEVELOP IT WITH OTHER CROPS SUCH AS PINEAPPLES.

MINISTER SANCHEZ SAID HE WOULD MAKE THE SAME POINTS TO UNITED FRUIT REPRESENTATIVE MANUEL LOPEZ BALBOA WHO IS HERE FROM BOSTON FOR BANANA CONSULTATIONS WITH THE COSTA RICAN

GOVERNMENT.

3. MINISTER SANCHEZ DESCRIBED THE GOVERNMENT'S PROPOSALS MORE GENERALLY AND WITH A DIFFERENT TONE IN AN ACCOUNT TO THE PRESS OF HIS MEETING WITH STANDARD AND UNITED. HE SAID THAT HE HAD TOLD STANDARD THAT IT COULD CONTINUE ITS OPERATIONS HERE UNDER THE FOLLOWING CONDITIONS:

1. THAT IT SUBMIT TO A CHANGE IN THE BANANA TAX;
2. THAT IT ACCEPT A REASONABLE EXPORT PRICE WHICH WOULD BE BENEFICIAL TO NATIONAL BANANA PRODUCERS AND
3. THAT IT EITHER DEVELOP OR TURN OVER TO THE GOVERNMENT UNCULTIVATED LAND.

COMMENT. THE EMBASSY HAS NOT YET HAD A CHANCE TO COMPARE NOTES WITH STANDARD AND UNITED SUBSEQUENT TO THEIR MEETINGS WITH MINISTER SANCHEZ. WE WOULD GATHER, HOWEVER, FROM THE TENOR OF OUR CONVERSATIONS WITH STANDARD AND MINISTER SANCHEZ THAT BOTH PARTIES ARE NOW THINKING ALONG SIMILAR LINES. IF THE COSTA RICAN PROPOSAL IS ACCEPTABLE TO STANDARD, WE WOULD ASSUME THAT IT SHOULD BE EVEN MORE ACCEPTABLE TO UNITED WHICH WOULD NOT HAVE THE PROBLEM OF INCREASING PAYMENTS TO INDEPENDENT BANANA PRODUCERS. WE WILL BE SEEKING FURTHER INFORMATION ON THE REACTION OF STANDARD AND UNITED TO THE GOVERNMENT'S LATEST POSITION.

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